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UNITED STATES DISTRICT COURT

DISTRICT OF NORTHERN CALIFORNIA – SAN FRANCISCO DIVISION

ATS PRODUCTS, INC., Plaintiff, v. CHAMPION FIBERGLASS, INC., Defendant.	Case No. CV-13-02403 (SI) **MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION TO QUASH OR MODIFY SUBPOENA ISSUED TO GEORGIA-PACIFIC CHEMICALS, LLC OR IN THE ALTERNATIVE FOR A PROTECTIVE ORDER** Date: August 22, 2014 Time: 9:00 a.m. Location: Courtroom 10, 19th Floor Judge: Hon. Susan Illston

INTRODUCTION

At issue in this motion is a subpoena issued by defendant Champion Fiberglass, Inc. ("Champion") to third party Georgia-Pacific Chemicals, LLC ("Georgia-Pacific") seeking production of all the documents Georgia Pacific has concerning plaintiff ATS Products, Inc. ("ATS") and its predecessor in interest Shea Technology, LLC ("Shea Tech"). The subpoena seeks production of documents protected by the trade secret privilege and other privileges which are not at issue in this litigation and ATS requests an order modifying or quashing the subpoena. In addition, the subpoena is unenforceable on its face and should be quashed by this Court pursuant to Federal Rules of Civil Procedure, Rule 45.

STATEMENT OF FACTS

This case follows on the heals of another case, *ATS v. Ghiorso et al,* United States District Court for the Northern District of California, case number CV10-04880 BZ (the "Ghiorso Case"). The Ghiorso Case resulted in a judgment declaring that certain phenolic resins manufactured by the defendants (the "ThermalGuard Resins") were misappropriated from trade secrets owned by ATS. ATS discovered during the Ghiorso Case that Champion had acquired, used, and incorporated the ThermalGuard Resins into its FlameShield Phenolic Conduit. (Champion also funded the defense of the Ghiorso Case.) After the Ghiorso Case concluded, ATS discovered Champion had continued to sell and market its FlameShield Product and specifically sold some of that conduit to the Bay Area Rapid Transit District ("BART"). Shortly after that discovery, ATS brought the instant case which alleges Champion misappropriated ATS' trade secrets by acquiring the ThermalGuard Resins and incorporating those unlawful resins into its products. ATS also proceeds on a conspiracy theory and seeks injunctive relief.

Georgia-Pacific manufactures certain resins for ATS under contracts which require Georgia-Pacific to maintain the confidentiality of ATS' trade secrets regarding the manufacture of those resins. ATS does not allege Champion acquired ATS trade secrets directly, but alleges instead that since the ThermalGuard Resins were a misappropriation of ATS trade secrets, acquisition and use of the ThermalGuard Resins is a violation of ATS's rights.

On or about June 23, 2014 Daphne Lin, Esq., counsel for defendant Champion Fiberglass, Inc. ("Champion"), issued the subject subpoena to third party Georgia-Pacific Chemicals, LLC (Georgia-Pacific). (Elliott Decl. ¶ 4, Ex. A.) This subpoena directs Georgia-Pacific, which is located in Atlanta, Georgia to produce documents in response to the subpoena in San Jose, California. The documents requested by the subpoena include:

"1. All DOCUMENTS constituting, containing, or referring to any communication between YOU and ATS Products, Inc...

2. All DOCUMENTS constituting, containing, or referring to any communication between YOU and Shea Technology, LLC.

3. All DOCUMENTS related to YOUR manufacture of resins for ATS Products, Inc.

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from January 1, 2007, including, but not limited to, ***any formulas, manufacturing instructions, manufacturing procedures, process steps, production sheets, material descriptions and weights, and specifications.***

4. All DOCUMENTS related to YOUR manufacture of resins for Shea Technology, LLC from January 1, 2007, including, but not limited to, ***any formulas, manufacturing instructions, manufacturing procedures, process steps, production sheets, material descriptions and weights, and specifications.***

5. All DOCUMENTS constituting, containing, or referring to any contract, letter of intent, memorandum of understanding, offer, counteroffer, agreement, or arrangement, between YOU and ATS Products, Inc., related to the manufacture or sale of resin, including any amendment(s) or modification(s) thereto or thereof.

6. All DOCUMENTS constituting, containing, or referring to any contract, letter of intent, memorandum of understanding, offer, counteroffer, agreement, or arrangement, between YOU and Shea Technology, LLC, related to the manufacture or sale of resin, including any amendment(s) or modification(s) thereto or thereof.

7. All DOCUMENTS provided to you by ATS Products, Inc. or Shea Technology, LLC, which relate to the manufacture of resin.

8. All non-disclosure agreements, proprietary rights agreements, confidentiality agreements, or the like, which you have entered with ATS Products, Inc. Or Shea Technology, LLC."

(Emphasis Added; Elliott Decl. Exs. A & G.")

As is highlighted above, the subpoena specifically requests the trade secret protected "***formulas, manufacturing instructions, manufacturing procedures, process steps, production sheets, material descriptions and weights, and specifications***" of the ATS resins. ATS' trade secret list[1] does not include the ATS Resin specifications, instead it identifies the ThermalGuard Resin

[1] ATS submitted a trade secret list pursuant to California Code of Civil Procedure § 2019.210 and other applicable law to Champion on or about February 10, 2014. That trade secret list identifies certain trade secrets related to the ThermalGuard Resins which in the Ghiorso Case were found to be misappropriations of the ATS trade secret resins.

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specifications. Thus, the information sought is not the trade secrets that are directly involved in this litigation. (Elliott Decl. ¶ 5.)

Counsel for ATS engaged in extensive meet and confer efforts with Champion's counsel (Elliott Decl. ¶¶ 6-10; Ex. B, D, E.) Counsel for ATS also informed Georgia-Pacific of its objections. (Elliott Decl ¶¶ 6 & 8, Ex. C, E.) Georgia-Pacific responded to ATS's objections and the subpoena by asserting its own objections and inviting a meet and confer dialogue with Champion's counsel. (Elliott Decl. ¶ 9, Ex. F.)

On July 3, 2014, Champion's attorneys purported to issue an amended subpoena by Ms. Lin to Georgia-Pacific which changed the deposition date to July 17, 2014 and indicated an electronic signature of Ms. Lin. (Elliott Decl. Ex. G.)

LEGAL ANALYSIS

I. THIS IS THE PROPER COURT FOR THIS MOTION

Federal Rule of Civil Procedure, Rule 45 as amended effective December 1, 2013 provides that a motion such as this should be brought in "the court for the district where compliance is required." (FRCP 45(d)(3)(A)&(B).) Here, the subpoena directs Georgia Pacific to appear at: "Quest Discovery Services, 981 Ridder Park Drive, San Jose, CA 95131" to produce the requested documents. (Elliott Decl. ¶¶ 4 & 10 ; Exs. A & G.) Thus, compliance is required in San Jose, California, which is in the Northern District of California.

II. THE SUBPOENA IS FACIALLY INVALID

A. THE SUBPOENA EXCEEDS THE GEOGRAPHICAL LIMITATIONS OF FRCP 45

Pursuant to Federal Rule of Civil Procedure 45 a subpoena may direct a person to produce documents at a place within 100 miles of where the deponent regularly resides, is employed, or transacts business in person. (FRCP 45(c)(2).) Here, the deponent, Georgia-Pacific is a company located in Atlanta, Georgia. However, the subpoena directs Georgia-Pacific to have a representative travel over 2,000 miles to appear in San Jose, California to produce

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documents. The subpoena invalid on its face because it exceeds the limits of Rule 45. When a subpoena exceeds the geographical limits specified in Rule 45(c) the court ***must*** quash the subpoena. (FRCP 45(d)(3)(A)(ii).) Accordingly, the subpoena should be quashed in its entirety.

B. THE SUBPOENA WAS NOT PROPERLY ISSUED

A subpoena may be issued by the clerk of the court or an attorney by signing the subpoena. (FRCP 45(a)(3).) Here, the amended subpoena was not signed by an attorney, instead the subpoena indicates an electronic signature by use of the following: "/s/ Daphne C. Lin". (Elliott Decl. ¶ 10; Ex. G.) An electronic signature may be acceptable for pleadings filed in court, but such an electronic signature is not permissible for subpoenas, which must actually be signed by an attorney. (FRCP 45(a)(3).) Thus, the subpoena was not properly issued an must be quashed for this additional reason.

III. THE SUBPOENA SEEKS DOCUMENTS PROTECTED BY THE TRADE SECRET PRIVILEGE AND MUST BE QUASHED OR MODIFIED

The subpoena seeks the production of highly confidential trade secret information owned by ATS. Georgia-Pacific manufactures resins for ATS pursuant to contracts and non-disclosure agreements between them. (Shea Decl. ¶ 2.) ATS's resins that are manufactured by Georgia-Pacific are not directly at issue in this litigation. (Elliott Decl. ¶ 5.) At issue in this litigation are the so called "ThermalGuard" resins which Champion acquired. (Ibid.) The ThermalGuard resins were found to be misappropriations of ATS's resins in the case of *ATS v. Ghiorso et al,* United States District Court for the Northern District of California, case number CV10-04880 BZ (the "Ghiorso Case"). (Elliott Decl. ¶ 2.) The subpoena at issue seeks very specifically: ***"...ATS Products, Inc...[and] Shea Technology, LLC...formulas, manufacturing instructions, manufacturing procedures, process steps, production sheets, material descriptions and weights, and specifications***." (Elliott Decl. ¶¶ 4 & 10; Exs. A & G, categories 3-4) This information is confidential and protected from disclosure by the trade secret privilege. (Shea Decl. ¶¶ 2-3.; Cal. Evidence Code § 1060.) When a subpoena requires disclosure of a trade secret or other confidential information a court may quash or modify a subpoena upon the motion of a person affected by the subpoena, such as ATS. (FRCP 45(d)(3)(B)(i).) Subpoenas which

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seek production of trade secret information are subject to being quashed. (*In re Vitamins Antitrust Litig.*, 267 738, 741 (SD OH 2003).) Courts often reject competitor's attempts to discover confidential information from their adversaries even when a protective order is in place. (*Cacique, Inc. v. Robert Reiser & Co.,* 169 F.3d 619, 622-623 (9th Cir. 1999.) The subpoena clearly seeks ATS trade secret information and should be quashed or modified to remove the request for production of ATS's confidential trade secret information.

In addition to the specific ATS trade secrets sought by the subpoena in categories three and four, the subpoena is so broad that trade secret information is also being requested in the remaining categories (i.e. 1-2, 5-8). For example, categories one and two seek all communications between Georgia-Pacific and ATS/Shea Tech. (Elliott Decl. Exs. A & G.) Also, category seven seeks all documents related to the manufacture of resin. (Ibid.) These categories are so broad they also encompass the specific ATS trade secret documents requested in categories three and four. Thus, these other categories of the subpoena should be quashed or modified to remove the request for production of ATS's confidential trade secret information.

IV. IN THE ALTERNATIVE, THE COURT SHOULD ISSUE A PROTECTIVE ORDER

Should the court not be inclined to quash or modify the subpoena the court may instead grant ATS a protective order. Such a protective order may be fashioned to protect ATS's rights. Here, the court may order Georgia-Pacific to comply with the subpoena, but also order the production of documents be sent to ATS's attorneys of record who will then add appropriate document designations under the Stipulated Protective Order in this case. For example, the sensitive trade secret information will be labeled "Highly-Confidential Attorneys'-Eyes Only" and the confidential, but not trade secret information, will be labeled "Confidential", such a protocol will be effective in protecting ATS's rights while still providing Champion with the discovery it desires.

CONCLUSION

For the above stated reasons, this court should quash or modify the subpoena to prevent the production of documents protected by the trade secret privilege, or in the alternative, issue a

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protective order directing the production be first sent to ATS's attorneys who will then affix appropriate confidentiality designations.

Dated: July 18, 2014

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By: /s/ Kevin R. Elliott
MARC L. SHEA, ESQ.
KEVIN R. ELLIOTT, ESQ., Attorneys for Plaintiff ATS PRODUCTS, INC.

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